ERS

ENHANCED RECOVERY SYSTEMS LTD.

SECOND ANNUAL REPORT

For Period Ending March 31, 1985

86-03771/

ENHANCED RECOVERY SYSTEMS LTD.

Enhanced Recovery Systems Ltd. (ERS) was incorporated on September 7, 1983 under New Brunswick law as a wholly owned subsidiary of the Research and Productivity Council. Its head office is in Chatham, New Brunswick. Under an agreement between ERS and the Province of New Brunswick, as represented by the Minister of Commerce and Development, ERS was contracted to acquire, construct, and operate a 10 tonne per day pilot plant to test the RPC Sulphation-Roast Leach (SRL) and the RPC Brine Leach Processes for improving the extraction of metals and other saleable products from complex base metal ores typical of those found in Northern New Brunswick.

ERS BOARD OF DIRECTORS

Dr. R.S. Boorman
Executive Director
Research and Productivity Council
P.O. Box 6000
Fredericton, N.B.
E3B 5H1

Mr. Alan Young
Vice President-Smelting Division
Brunswick Mining and Smelting Corp. Ltd.
Belledune, N.B.
E0B 1G0

Mr. David Blair
124 Century Drive
Moncton, N.B.
E1E 2Y3

ERS PERSONNEL

President	Dr. Roy S. Boorman	
Assistant to President	Dallas W. Davis	
Project Managers	Moshen Sourour	April - January
	Gwyn Phillips	February - March
Secretary	Beverly Wood	
Accountant	Trevor McCready	
Accounting Clerk	Wendy Fraser	
Procurement Officer	Stephen Clark	
Procurement Clerks	John Ireland	
	Linda Wilt	
Foreman	Lemuel MacDonald	
Watchmen	Ernest Arsenault	
	Paul Cook	
	Hamilton MacDonald	
	Howard MacDonald	

Head Office & Plant

Morrison Cove
P.O. Box 516
Chatham, N.B.
E1N 3A8
Telephone - 506-773-9463
Telex - 014-2292

Executive Office

Research & Productivity Council
College Hill Road
P.O. Box 6000
Fredericton, N.B.
E3B 5H1
Telephone - 506-452-8994
Telex - 014-46115
Cable - REPRODCO

Enhanced Recovery Systems Ltd.
President's Second Annual Report
Period Ending March 31, 1985

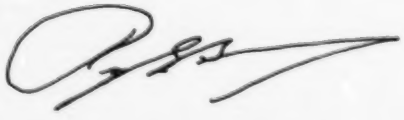
The province entered into a subsidiary agreement with Canada on September 30, 1983 which made available $15,000,000 from Canada and $3,750,000 from the Province of New Brunswick for pilot plant costs to March 31, 1987. As of March 31, 1985, a total of $10,701,308 had been spent on the pilot plant. Purchases included the Ciba Geigy plant and the associated site, process design and engineering services, capital process equipment, and construction/equipment installation services. The process equipment and construction/installation contracts were awarded through 22 public tender packages that were administered by ERS utilizing the Crown Construction Contracts Act. Of these 22 packages, New Brunswick companies were successful in being awarded 66% of the total $11,081,214 committed.

At year end, the construction of the plant facilities was rapidly approaching completion. Civil construction was 96% complete, mechanical construction 79%, and electrical/instrument installation was 72% complete. The quality of construction has been good reflecting the capabilities of the skilled local workforce retained by contractors for construction work. The workforce on site ranged from 30 to 75 people.

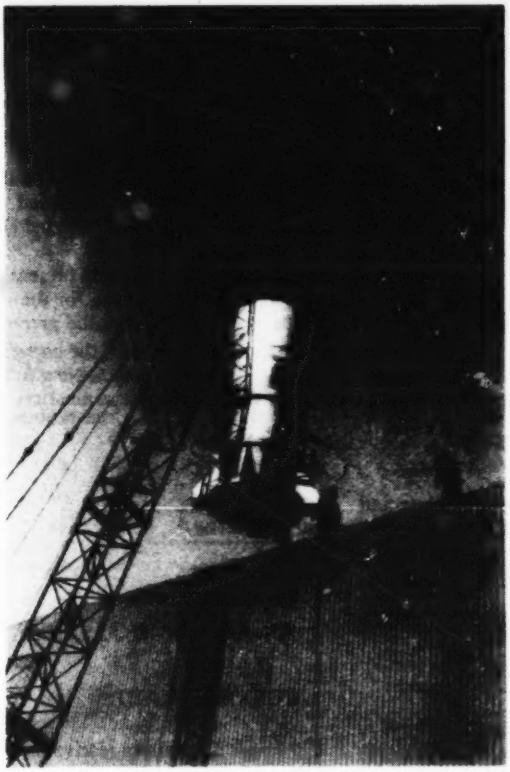
A hiring program for operations and maintenance personnel was undertaken on projections which indicated a requirement for 80 permanent staff and 15 to 20 casual labourers. These were hired through the local Employment Centre so that residents of the area had opportunity for employment with ERS.

The excellent progress, which allowed schedules to be met on time and within budget, is due to the hard work and dedication of the entire project group. Worthy of special mention is Mr. Robert Grant of Neill and Gunter Ltd. and his team as well as the RPC staff seconded to ERS. The Board of Directors and I wish to thank all those involved for their commitment to the progress of this venture. We look forward to the same record of achievement in the next phase of the work when the plant will be commissioned and brought into operation.

Much of our success was due to the leadership of Mr. Moshen Sourour who was project manager until his untimely death in January. We owe him a special debt of gratitude.



R.S. Boorman, President



Hoisting the lower sections of the fluidized bed roaster shell into the plant, December, 1984.

Financial Statements
March 31, 1985
Auditor's Report

To the Shareholders
Enhanced Recovery Systems Ltd.

I have examined the balance sheet of Enhanced Recovery Systems Ltd. as at March 31, 1985 and the statement of changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the company as at March 31, 1985 and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with the preceding period.

I further report that I am familiar with the convenants contained in the company's agreement with the Province of New Brunswick and in the related Canada-New Brunswick agreement and that no breach of these covenants came to my attention during the course of my examination.

Bruce Lunergan
Chartered Accountant

Fredericton, N.B.
May 3, 1985

Balance Sheet
As At March 31, 1985

ASSETS

	1985	1984
CURRENT ASSETS		
Cash	$ 200	$ 100
Advances receivable	2,491,753	650,000
Subscriptions receivable		10
	2,491,953	650,110
FIXED ASSETS		
Land	140,244	140,244
Paving	5,470	
Buildings	803,809	578,892
Plant equipment	7,495,966	257,325
Office furniture and equipment	71,251	18,637
	8,516,740	995,098
OTHER ASSETS		
Process engineering costs	2,033,291	588,122
Administrative costs	913,554	182,475
Incorporation costs	1,402	1,402
	2,948,247	771,999
	$13,956,940	$ 2,417,207

LIABILITIES AND SHAREHOLDER'S EQUITY

CURRENT LIABILITIES		
Bank indebtedness	$ 2,489,878	$ 500,306
Holdbacks payable	719,575	39,151
Accounts payable	46,169	
	3,255,622	539,457
SHAREHOLDER'S EQUITY		
Capital stock	10	10
Contributed surplus	10,701,308	1,877,740
	10,701,318	1,877,750
	$13,956,940	$ 2,417,207

Approved by the Board

David Blair ..... Director

Allan Young ..... Director

Statement of Changes in Financial Position
For the Year Ended March 31, 1985

	1985	1984
SOURCE OF FUNDS		
Issue of capital stock	$	$ 10
Surplus contributed by the Province of New Brunswick	8,823,568	1,877,740
	8,823,568	1,877,750
APPLICATION OF FUNDS		
Purchase of land		140,244
Paving	5,470	
Purchase and renovation of building	224,917	578,892
Purchase of plant equipment	7,238,641	257,325
Purchase of office furniture and equipment	52,614	18,637
Process engineering costs	1,445,169	588,122
Administrative costs	731,079	182,475
Incorporation costs		1,402
	9,697,890	1,767,097
INCREASE (DECREASE) IN WORKING CAPITAL	(874,322)	110,653
WORKING CAPITAL, beginning of period	110,653	
WORKING CAPITAL (DEFICIENCY), end of period	$ (763,669)	$ 110,653

Notes to the Financial Statements
at March 31, 1985

1. CAPITALIZATION OF COSTS

The company has not commenced operations. All costs incurred to March 31, 1985 have been capitalized.

2. CAPITAL STOCK

Authorized: an unlimited number of common shares without nominal or par value

Issued: 10 common shares	$10

3. COMMITMENTS

The company has entered into contracts for engineering, equipment, and installation services as follows:

Engineering	$ 69,901
Equipment and installation	640,085
	$709,986

4. CONTRIBUTED SURPLUS

The company is funded under an agreement with the Province of New Brunswick calling for contributions by the Province totalling $18,750,000. Under the terms of the agreement the Province may, on 30 days written notice, purchase all of the assets of the company for $10.

5. RELATED PARTY TRANSACTIONS

During the year the company expended $676,508 on engineering services provided by a related party.